

Message Text

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PAGE 01 STATE 199887 TOSEC 100037

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TO USDEL SECRETARY IMMEDIATE

S E C R E T STATE 199887 TOSEC 100037

NODIS

CHEROKEE

FOLLOWING REPEAT PARIS 21600 SENT ACTION SECSTATE DTD 22 AUG 75

QUOTE:

S E C R E T PARIS 21600

NODIS CHEROKEE

DEPARTMENT PASS SECRETARY

FOR THE SECRETARY ONLY FROM ROBINSON

E.O. 11652: GDS

TAGS: OVIP (ROBINSON, CHARLES W.)

SUBJECT: BILATERAL OIL AGREEMENT

1. I REGRET THAT AFTER FULL DAY OF DISCUSSION WITH
ANSARY AND MINA OF NIOC IT APPEARS THAT WE ARE NOT
REPEAT NOT GOING TO BE ABLE TO FINALIZE BILATERAL OIL
AGREEMENT PRIOR TO OPEC PRICE DECISION IN LATE
SEPTEMBER. THE BASIC PROBLEM IS OUR DECISION TO SEEK
A CONGRESSIONAL APPROPRIATION WHICH WOULD REQUIRE
PUBLIC DEBATE ON IRAN'S COMMITMENT TO SELL OIL TO US
AT BARGAIN PRICES DURING THE PERIOD WHEN THEY WOULD BE

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PAGE 02 STATE 199887 TOSEC 100037

MEETING WITH OTHER OPEC MEMBERS TO CONSIDER PRICE

INCREASE. APPARENTLY SHAH NOW CONSIDERS THIS AN UNACCEPTABLE RISK.

2. WE ARE STILL LOOKING AT ALTERNATIVE 90-DAY INTERIM ARRANGEMENTS BUT I AM NOT HOPEFUL THAT THESE WILL PROVIDE SOLUTION. THE PROSPECT OF CONGRESSIONAL DEBATE ON SUBSEQUENT LONG-TERM DEAL, COMBINED WITH THE INTRODUCTION OF AN NIOC REPRESENTATIVE WHO WILL BE PARTICIPATING IN THE OPEC DISCUSSIONS CREATED NEW CONCERN OVER SOME TECHNICAL FEATURES OF THE DEAL WHICH WOULD BE DIFFICULT TO DEFEND TO OPEC OR IRANIAN PUBLIC. THIS LED TO SUGGESTION THAT WE CREATE APPEARANCE OF HAVING COMMENCED THE CONTRACT ON JULY 1 WITH AN ACCELERATION OF APPLICATION OF INDEXING TO GIVE GREATER JUSTIFICATION TO FREEZING OF THE CURRENT PRICE BASE. WE ARE CONTINUING TO EXPLORE POSSIBILITIES OF ACCOMMODATING THEM ON THIS POINT BUT WITHOUT MUCH HOPE OF AGREEMENT.

3. THEY HAVE ACCEPTED BASIC FORMULA FOR IRAN OIL/US PRODUCTS EXCHANGE AND BOTH SHAH AND ANSARY ARE ANXIOUS TO PRESERVE THE CONTINUITY OF OUR NEGOTIATIONS. THEY RECOGNIZE THAT ANY AGREEMENT AFTER AN OPEC PRICE INCREASE WOULD REQUIRE A MORE GENEROUS DISCOUNT FROM THE HIGHER PRICE LEVEL. IT IS MY FEELING THAT WE SHOULD CONTINUE TO PURSUE THIS POSSIBILITY TO ACHIEVE OUR MORE BASIC GOAL WITHIN OPEC AND TO ENSURE AVAILABILITY OF OIL FOR ISRAEL.

4. THE SHAH AND ANSARY ARE VERY APPRECIATIVE OF YOUR CONTINUED INTEREST IN THIS EFFORT AND THEY EVIDENTLY WILL CONTINUE TO PRESS FOR AN AGREEMENT.
GAMON UNQUOTE
MAW

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NNN

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